



# NEWS

## **BRITISH COLUMBIA'S HOUSING AFFORDABILITY HURDLES REMAIN TOUGH TO CLEAR: RBC ECONOMICS**

**Following deterioration earlier in 2012, B.C. sees some improvement in housing affordability in the third quarter**

**TORONTO, November 22, 2012** — Following back-to-back quarterly deteriorations, British Columbia's housing affordability saw some improvements in the third quarter of 2012, according to the latest [Housing Trends and Affordability Report](#) released today by RBC Economics Research.

RBC notes that British Columbia's housing market has been under intense downward pressure this year, experiencing an 11 per cent drop in resales year-to-date and price declines ranging between 2.0 and 3.7 per cent in the third quarter.

"While prospective buyers received some welcome relief in terms of improved affordability in the third quarter, lofty prices in key markets such as Vancouver set extremely tough hurdles to clear on the road to home ownership," said Craig Wright, senior vice-president and chief economist, RBC. "It's important to note, however, that the situation is much less severe elsewhere in the province. If you look at Victoria, for instance, the share of income needed to carry the costs of a mortgage at market prices is almost half that of Vancouver."

Although affordability in the province remains poor, measures across housing categories tracked by RBC showed the largest drops across Canada. RBC's housing affordability measures, which capture the province's proportion of pre-tax household income needed to service the costs of owning a home at market values, declined across all housing types (a decrease in the measure represents an improvement in affordability).

The RBC measure for the benchmark detached bungalow fell by 3.7 percentage points to 66.5 per cent, the standard two-storey home eased by 3.3 percentage points to 71.4 percent and the measure for condominium apartments declined by 1.3 percentage points to 34.1 per cent.

### **Vancouver experiences sharp declines in measures; remains unaffordable**

"The largest improvements in housing affordability among Canada's largest cities in the third quarter barely dented Vancouver's status as the country's most expensive city in which to buy a home, and did little to stop the market correction that has been unfolding since spring," explained Wright.

RBC's affordability measures for Vancouver plunged from 2.0 to 5.8 percentage points, representing some of the biggest quarterly declines over the past two years in Canada. While this improvement was welcome news for prospective buyers, RBC notes that the share of household budget needed to cover homeownership costs – at 87 per cent for a two-storey, 83 per cent for a bungalow and 42 per cent for a condo – is keeping ownership at hard-to-reach levels.

"We expect poor affordability to continue to weigh heavily on Vancouver homebuyer demand and apply sustained downward pressure on home prices in the near term," added Wright.

### **Where housing affordability stands in Canada**

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities is as follows: Vancouver 83.2 per cent (down 5.8 percentage points from the previous quarter); Toronto 52.4 per cent (down 0.7 percentage points); Montreal 40.2 per cent (up 0.1 percentage points); Ottawa 38.7 per cent (down 0.4 percentage points); Calgary 38.3 per cent (down 0.7 percentage points) and Edmonton 31.1 per cent (down 0.6 percentage points).

The RBC Housing Affordability Measure, which has been compiled since 1985, is based on the costs of owning a detached bungalow (a reasonable property benchmark for the housing market in Canada) at market value. Alternative housing types are also presented, including a standard two-storey home and a standard condominium apartment. The higher the reading, the more difficult it is to afford a home at market values. For example, an affordability reading of 50 per cent means that homeownership costs, including mortgage payments, utilities and property taxes, would take up 50 per cent of a typical household's monthly pre-tax income.

### **Highlights from across Canada:**

- Alberta: Attractive affordability contributes to market renaissance

Alberta's housing market enjoyed firm and steady resale activity, balanced demand-supply conditions, moderate home price increases, and improved housing affordability. Third quarter affordability measures for the province edged lower – between 0.2 percentage points and 0.4 percentage points – remaining below their long-term and the national averages.

- Saskatchewan: Little evidence of affordability strain

Significant deteriorations in housing affordability in the second quarter in Saskatchewan were largely reversed in the third with RBC measures in the province falling between 0.9 percentage points and 1.3 percentage points. The measures stood just slightly above their long term averages for all housing categories, indicating little in the way of undue affordability induced strain on the market.

- Manitoba – Market losing some of its steam; minimal pressure on affordability

Declining housing prices spurred a notable improvement in housing affordability in Manitoba over the third quarter. RBC measures fell between 0.6 percentage points and 1.6 percentage points, which fully unwound the deterioration that occurred in the prior quarter. Provincial affordability levels sit slightly higher than their averages since the mid 1980s, but remain well below the corresponding national averages.

- Ontario: More balanced conditions help to ease affordability stress

Ontario's housing affordability eased somewhat in the third quarter, but remains under mild pressure, most notably in the two-storey home segment. RBC measures declined between 0.5 percentage points and 1.1 percentage points in the province, which, in effect, rolled back the two consecutive quarterly increases that took place in the first half of this year.

- Quebec: Second straight affordability improvement

Housing affordability improved for the second straight quarter in Quebec, with RBC's measures edging lower across all housing types in the province, between 0.6 percentage points and 0.8 percentage points, in the third quarter. For the most part, levels are only slightly worse than the average historical level, indicating that prospective homebuyers in Quebec may feel minimally stretched budget-wise, if they bought a home at current market prices.

- Atlantic: Affordability position remaining quite stable

Housing affordability in Atlantic Canada improved slightly across the board, with RBC measures in the region inching lower by 0.2 percentage points to 0.7 percentage points relative to the previous quarter. Affordability measures have been reasonably stable over the past three years in the region, showing no discernable trends on either the up or down sides.

The full RBC Housing Trends and Affordability report is available online, as of 7 a.m. ET today, at [rbc.com/economics/market/](http://rbc.com/economics/market/).

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